

OCTOBER 1952

Mortgage Banker

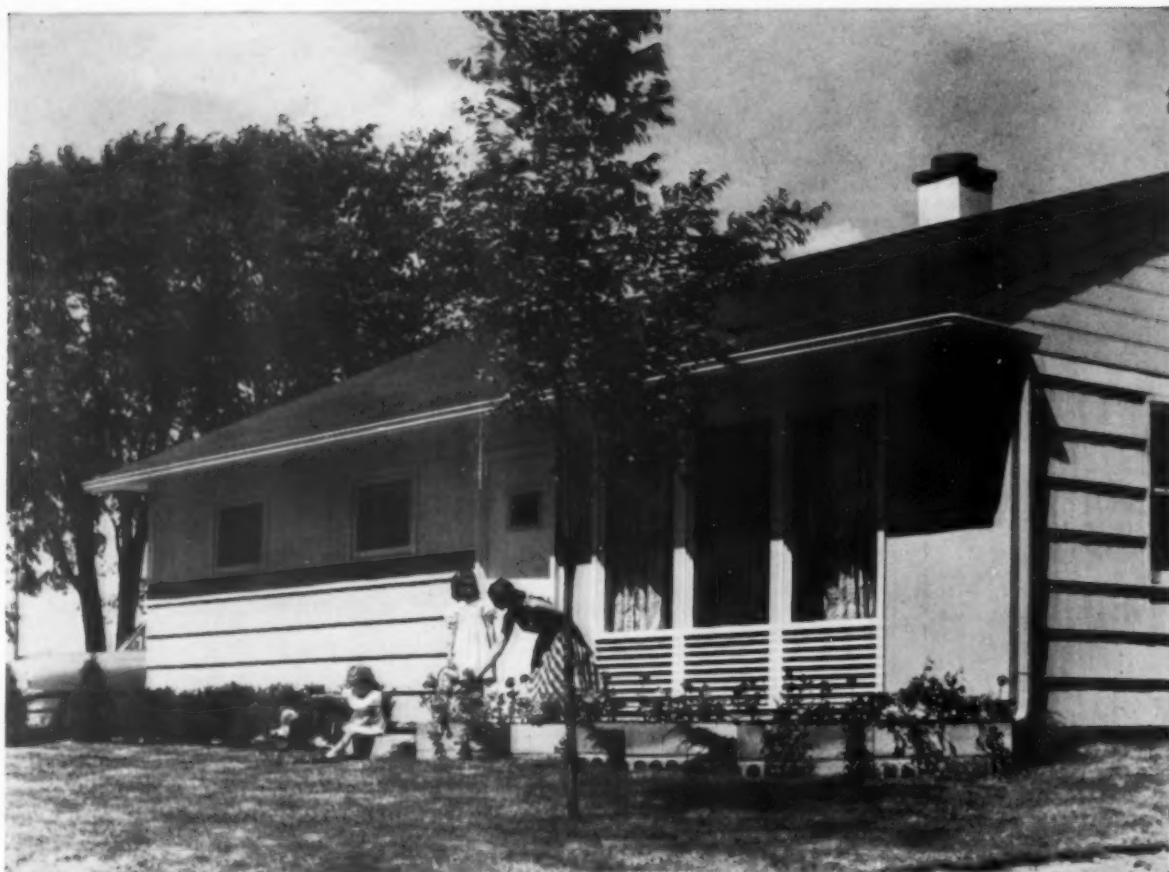


» SICK AREA OF A CITY: The central areas of too many American cities are sick, for example, this Chicago section showing the towering Loop buildings in the distance and the hodge podge of residences, industry, railroads and vacant lots. There was no planning in the beginning and the areas have decayed. See article on page 6.



in this issue

ANNOUNCING THE LAUNCHING OF A NEW
MBA PROJECT LONG IN THE MAKING—
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PRESIDENT'S Column



A BUSY YEAR

As another year on the MBA calendar nears a close we can review the accomplishments with pardonable pride:

First, our membership is at an all-time high with a total of 1,786 compared to 1,660 a year ago.

Second, our finances are in excellent condition with a substantial amount added to our surplus from the year's activities.

Third, our Educational Programs have been the most expansive ever attempted with attendance far exceeding any previous year. Clinic meetings were held in Chicago, New York, Memphis, Atlanta, Seattle and Los Angeles. Our new Young Men's meeting in Washington was well attended. The New York University meeting and the Northwestern University sessions were conducted in fine order. The new program at Stanford University proved so worthwhile it should become a fixture in our planning.

Fourth, our expanding Servicing Department is proving to be a worthwhile addition to our facilities as both correspondents and investors continue to improve their accounting practices.

Fifth, the policies adopted by MBA as to general lending practices and particularly as to the participation of government agencies have proved sound.

Lastly, I wish to commend our Staff, all Committee Members and individuals for the fine co-operation extended me. The experience has been most interesting and shall ever be remembered as a fine part of my life.

Aubrey M. Costa

President, Mortgage Bankers
Association of America

The Mortgage Banker

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An MBA Achievement... THE MORTGAGE BANKERS BLANKET BOND

A Report by
H. DUFF VILM

BANKERS, brokers, savings and loan associations, insurance companies and other financial institutions for some years have enjoyed special forms of crime insurance adapted to



H. Duff Vilm

their needs and special rate treatment. Mortgage bankers, although their operations are distinctive and their loss record good, have not been given similar recognition.

Two years ago MBA's Research Committee interested itself in this problem. At first, it was our purpose to develop a broad form of coverage which would protect the life insurance companies' interest and uni-

formly satisfy their insurance requirements. It was soon discovered, however, that the real need was for broad, reasonably priced crime coverage for the mortgage bankers themselves. This, in turn, would provide more adequate protection for life insurance companies.

In order that we might determine more accurately the insurance requirements of mortgage bankers, it was decided to circularize that portion of the membership engaged in the sale and servicing of mortgages, real estate management, appraising and insurance. A questionnaire was designed to develop information as to character of business conducted, as well as types and amounts of insurance carried, premiums and losses and extent of exposure.

The findings with respect to insur-

ance carried, based upon the 222 questionnaires returned, are set forth below:

Form	Number	% of Total
Brokers Blanket Bond	37	17%
Comprehensive 3-D	32	14%
Blanket Position Bond	48	22%
Primary Commercial		
Blanket Bond	23	10%
Unclassified Bond	46	21%
Schedule Bond	12	5%
Forgery		
Outgoing Instruments	104	47%
Incoming Instruments	49	22%
Fire and Extended		
Coverage Errors and Omissions	64	29%
No insurance carried	16	7%

In the Committee's opinion, this survey established certain important facts. First, it showed that 7 per cent

For many years the possibilities of developing for mortgage bankers a form of crime insurance similar to that available to other types of lending institutions—and on the same advantageous terms to which experience in our field should entitle them—has been discussed within MBA. This year the Research Committee has had it at the top of its list of objectives to be attained. Now, at last, it is ready for launching; and this article by H. Duff Vilm, chairman of the Committee and president of the H. Duff Vilm Mortgage Company, Indianapolis, is the initial announcement to MBA members.

This development will be of interest to a large segment of the MBA membership because it offers at unusually favorable rates broader Crime and Errors and Omissions insurance (for failure to provide Fire and Extended Coverage) than is generally available.

Members are urged to carefully consider what the Research Committee has created for their benefit. Those who have been in on the intensive work that went into its development believe it is a bigly significant accomplishment for the Association. When you arrive at the

Chicago Convention you'll hear a great deal more about it. Leslie H. Cook of Leslie H. Cook, Inc., 164 West Van Buren Street, Chicago (whose relation to the project is told in the article), will address the meeting, supplying more complete details. A booth in our exhibit will be set up and manned all during the convention by experienced insurance personnel to discuss the bond.

All this is an accomplishment of the Research Committee working in conjunction with Frank J. McCabe, Jr., MBA's director of education and research. Committee members include: Fallon A. O'Leary, Clayton, Missouri; H. A. Drake, Jr., Birmingham; C. E. Van Ness, Phoenix; Frank Hoopes, Jr., Beverly Hills, California; L. C. Forth, Montreal; D. Richard Mead, Miami Beach; Edward A. Judge, St. Petersburg, Florida; Howard E. Green, Chicago; Morris Levinkind, Chicago; John M. McGill, Des Moines; Frank Vreeland, Hackensack, New Jersey; Irving Bussing, New York; Robert H. Armstrong, New York; Albert Mager, Jr., Oklahoma City; Alfred L. Raney, Houston; A. R. Jarvis, Seattle; Stanley Fosgate, Miami, and Neil W. Hall, Lincoln.

of the members reporting carried none of the types of insurance which were the subject of the questionnaire; that 11 per cent carried no fidelity coverage; and that a substantial portion of the group carried neither forgery nor fire and extended coverage errors and omissions insurance. Second, it demonstrated wide variation in the methods of insuring similar operations. Third, it indicated that, in general, the amounts of insurance carried are inadequate. This will be seen in the fact that approximately 45 per cent of those responding carried limits of \$10,000 or less, 68 per cent \$25,000 or less, and only 31 per cent carried limits of \$50,000 or more up to \$200,000.

It was decided on the basis of this survey that a blanket bond should be designed including all of these coverages and that the markets for this type of insurance should then be approached with the hope of obtaining quotations which would reflect the good experience of mortgage bankers as a class. This was done with the insistence on the part of the committee that a broad canvass be made of the conference, non-conference and foreign insurance markets.

The results of this canvass were varied. Portions of the market were unwilling to consider such a plan at that time, while others could supply only part of the requirements. By far the best proposal, both from the standpoint of cost and coverage, was received from Lloyd's of London; and it was that proposal which the Executive Committee accepted on behalf of the membership.

The "Mortgage Bankers Blanket Bond," which the Lloyd's form will be called, includes the following coverages: Fidelity; Premises; Messenger; Forgery of Outgoing and Incoming Instruments; Burglary or Theft of Office Equipment; and Fire and Extended Coverage Errors and Omissions.

A comparison of this bond with the available forms of these coverages indicates that the Mortgage Bankers Blanket Bond combines their best features and avoids their limitations.

While some of the advantages of the bond are of a technical nature, they are nonetheless real. For the more intrepid reader they are listed below:

Advantages over Available Brokers Blanket Bonds:

(1) Broader Premises and Messenger coverages.

(a) There is no exclusion of loss due to disturbances of nature, such as hurricane, cyclone, tornado or earthquake.

(2) Broader Fidelity coverage.

(a) This bond provides a discovery period of 24 months rather than 12. The additional 12 months coverage can be valuable in the event the insurer requests cancellation of coverage with respect to a particular employee.

Advantages over the Comprehensive 3-D Contract or the Separately Available Coverages Comprising It:

(1) Broader Premises and Messenger coverages.

(a) Since the Mortgage Bankers Blanket Bond is a single limit contract, there ordinarily will be no necessity for predicting peak premises and messenger exposures as a basis for adequate coverage, because the required fidelity limit will be substantially in excess of those exposures.

(b) Coverage is provided on any premises except while in the mail or in the custody of a railway express or air express carrier. Under a Comprehensive 3-D, in comparison, Premises coverage is limited to premises occupied in whole or in part by the assured. This restriction might result in financial loss if the property were lost, stolen or destroyed while in a night depository or in the custody of attorneys, title companies or others.

(c) The Messenger coverage provided applies to loss to property, whether by the negligence or fraud of the officers, clerks, servants or guest students of the assured, or otherwise, while in transit anywhere except while in the mail or in the custody of a railway express or air express carrier. The Comprehensive 3-D, on the other hand, covers property only while being conveyed by the assured, a partner of the assured or any employee authorized to have custody of the property outside the premises.

(d) Coverage is provided on "... documents, valuables, and the like," whereas the Comprehensive 3-D specifically excludes manuscripts and records.

(e) No reinstatement premiums are

required, whereas such premiums must be paid under Money and Securities coverage whether written separately or included in a Comprehensive 3-D, unless otherwise provided by endorsement.

(2) Broader Forgery coverage.

(a) Coverage on incoming instruments is provided automatically and without limiting recovery to 75 per cent of any loss.

(3) Broader Open Stock Burglary coverage.

(a) Furniture, fixtures and equipment are automatically insured against theft as well as burglary.

(b) Automatic reinstatement is provided and without the necessity of paying a reinstatement premium.

Advantages over Available Forms of Fire and Extended Coverage Errors and Omissions Insurance:

(1) Coverage is not limited to a mortgage interest. The assured is protected whether acting in his capacity as mortgage servicer, real estate manager or as insurance broker, agent or general agent.

(2) The form contains no coinsurance clause.

(3) There is no limit applying to any one building other than the policy limit.

(4) None of the restrictive clauses characteristic of the standard forms have been included.

(5) The circumstances of loss are not specified. The underwriters simply agree to pay all sums which the assured shall become obligated to pay on account of any claim made against the assured and caused by any negligent act, error or omission of the assured or their employees for failure to provide Fire and Extended Coverage insurance.

(6) There is no deductible.

(7) Provision is made for a two-year rather than a one-year period in which claims may be filed.

The cost advantage of the Mortgage Bankers Blanket Bond can be generalized about as follows. Its cost is comparable to that of a Blanket Fidelity Bond with the same penalty. When compared with the cost of all the Crime coverages which it includes, it is highly competitive. When the cost of Fire and Extended Coverage Errors and Omissions insurance is

also taken into account, it represents, in most cases, a substantial reduction in cost.

For comparative purposes, the Committee would like to present actual cases, developed from the questionnaires, demonstrating the cost advantage available to companies of various sizes carrying a variety of coverages. (See adjoining tables.)

It should be noted that in most of the cases cited, except those where Brokers Blanket Bonds are carried, Premises and Messenger coverages have not been included in the present cost figures. The costs shown are for a term of three years.

Losses under the Mortgage Bankers Blanket Bond will be adjusted by the firm of Toplis and Harding-Wagner and Glidden, Inc., who are the principal adjusters for Lloyd's of London in the United States and, in association with Toplis and Harding, in the world. Home office of this firm is in the Board of Trade Building, Chicago. Other main offices are located in Boston, New York, Detroit, Los Angeles and San Francisco. In addition, it has correspondent adjusters throughout the country. Inasmuch as Lloyd's is one of the principal insurers of financial institutions, Toplis and Harding-Wagner and Glidden has had ample experience in that field.

In order to avoid misunderstanding, we should like to emphasize that the coverage and rate structure of the Mortgage Bankers Blanket Bond have been based upon the exposures of mortgage bankers, and to retain its distinctive character, the bond must be confined to that class of risks. Accordingly, it cannot be made available to banks, savings and loan associations, title companies and their subsidiaries (unless operated independently of the parent company) or life insurance companies.

The Research Committee, being fully aware that the proposed coverage, after its development, might be obtained from any number of recognized Lloyd's agents in the United States, nevertheless, decided that it could be purchased most advantageously by restricting its availability to a single source and its underwriting to a particular group of Lloyd's underwriters. It was felt that by this means the maximum advantage could be realized from a volume of business.

SAMPLE CASES

Case No. 1—5 Employees

Present Insurance

\$2,500 Blanket Position Bond (supplemented by specific coverage on bookkeeper)
Broad Form Money and Securities
No Forgery
No Errors and Omissions
Present cost: \$436.25

Mortgage Bankers Blanket Bond

\$10,000 limit
Proposed cost: \$351.20

Case No. 2—7 Employees

Present Insurance

\$25,000 Brokers Blanket Bond — No. 14
\$10,000 Forgery
No Errors and Omissions
Present cost: \$709.00

Mortgage Bankers Blanket Bond

\$25,000 limit
Proposed Cost: \$483.00
This comparison is the more significant in view of fact assured is now considering the purchase of Errors and Omissions insurance.

Case No. 3—12 Employees

Present Insurance

\$75,000 Primary Commercial Blanket Bond
No Forgery
No Errors and Omissions
Present cost: \$800.00

Mortgage Bankers Blanket Bond

\$75,000 limit
Proposed cost: \$882.40

Case No. 4—20 Employees

Present Insurance

\$2,500 Blanket Position Bond
No Forgery
No Errors and Omissions
Present cost: \$378.48

Mortgage Bankers Blanket Bond

\$25,000 limit
Proposed cost: \$559.02
Note inadequacy of present limit in view of size of operation.

Case No. 5—25 Employees

Present Insurance

\$20,000 Brokers Blanket Bond — No. 12
\$10,000 Forgery
\$2,500,000 Errors and Omissions
Present cost: \$2,269.00

Mortgage Bankers Blanket Bond

\$25,000 limit
Proposed cost: \$588.27
Note large amount of Errors and Omissions insurance carried to comply with coinsurance clause. Without coinsurance, it would probably be necessary to carry a limit of only \$25,000, as that would be sufficient to cover the ordinary mortgage interest in any one building.

Case No. 6—50 Employees

Present Insurance

\$100,000 Brokers Blanket Bond
\$210,000 Errors and Omissions
Present cost: \$3,475.00

Mortgage Bankers Blanket Bond

\$100,000 limit
Proposed cost: \$1,330.40

Following this reasoning, the Association has selected to handle this coverage Leslie H. Cook, Inc., a prominent Lloyd's agency, because of the character of its insurance and reinsurance

business and because of the broad insurance experience of its president, Leslie H. Cook. (Mr. Cook will speak at the Chicago Convention.)

(Continued on page 26)

There Are OPPORTUNITIES FOR MORTGAGE BANKERS In Rebuilding Our Cities

By FERD KRAMER

IN THIS increasingly enlightened world, labor and industry are becoming more discriminating than they have ever been; new plants and manpower settle in the communities that have the most to offer in the amenities of comfortable living. Clarence Randall, president of Inland Steel Company, emphasized this point recently in a speech to members of the United States Chamber of Commerce:

"The world has demonstrated that there will be no more social vacuums. People crave the good things of life, and they believe that we don't want them to have those good things. And if you want to give us a long shove down the road towards socialism, ignore the social problems of your country. . . . But if you want to preserve the heritage of free enterprise, get in there and pitch, and make everybody in your organization pitch. Make your town the best to live in, and you'll get the best workmen. Forget your town and let it go into decay, and you'll be strangled for good workmen, because today the workingman . . . wants to bring up his children in a community where there are good schools and good churches and good recreational facilities, and a fine moral tone to the town."

It is perfectly obvious that the

mortgage bankers who are living in communities which attract industry—skilled workers and managerial personnel—are making all kinds of loans. These are live, growing communities, which keep pace with current developments in housing and plant construction, in the

supply of efficient municipal services and in city planning. For such progressive communities, investment funds for a modern physical make-up are virtually unlimited.

Mortgage men can achieve this success, for themselves and for their communities by adapting the newborn redevelopment program to revitalizing your decaying and dying neighborhoods. There is a double challenge here: for you as citizens who want to see their communities move forward, and as businessmen seeking new sources of activity. Mortgage bankers who represent leadership, resourcefulness and economic strength are very close to the redevelopment problem. Unless they accept this challenge and guide the program, blight may eat its way so deeply into their community that it may not be considered safe for investment.

Let's look back at our cities to see what happened to them. Except for the location of the hot-dog stand, American cities are all alike. Urbanism has mass-produced its super-markets, houses, gardens, automobiles—and also its problems. Few American cities have had time to guide the feverish growth of skyscrapers and tenements. Activities and people have been jammed unhappily together. At the same time, in cities like Chicago,

where an endless prairie invited the builder outward, the city surged over the surrounding country, covering miles of land with uneconomic, unfinished subdivisions, and leaving behind a chaotic mass of ramshackle, obsolete improvements.

While Los Angeles, Philadelphia and a few other cities followed a custom-tailored pattern in their first years, they too soon surrendered to the frenzied and often shoddy construction of hasty and unplanned growth. Today they frantically seek remedies for their congestion, muddled traffic, depreciated property values and wasted land problems which resulted from speculation and exploitation, while enviously eyeing the relatively orderly beauty of Washington, D. C. and Paris, France, which were built according to a preconceived plan.

Substantial urban settlements already existed before science had discerned the need of minimum standards of construction for health and safety. Houses, particularly for the working classes, were flimsily constructed. Whole neighborhoods of tenement buildings, four stories or more in height, were built with windowless rooms, outdoor toilets, no central heating, cold-water plumbing. Technological strides have antiquated these areas.

But just as we have discovered that vitamins are essential to health, we are learning more about the human needs in shelter. We are making this knowledge effective through building codes and housing regulations.

Standards—legal as well as social—are continually changing. In spite of the fact that the millionaire of the 19th century may have panelled his den with Circassian walnut, and built his mansion to outlive the pyramids, it is a dead pigeon in today's market.



Ferd Kramer



Urban decay is being uprooted and replaced with new facilities.

No more important problem confronts America today than that of halting blight and urban decay in our cities which, near their heart, are a "hodge podge of deteriorated housing, stores, warehouses, garages, factories and honky tonks, spilling on to the sidewalks from under-sized lots to a conglomerate sea of urban rot . . . clearly not designed for modern living, these medieval districts were not designed for modern work plans. . . ." The job of salvaging these blighted areas of American cities is one for private enterprise and it is a mistake to think of the job as merely a civic contribution. There are business opportunities here, opportunities for mortgage bankers to profit from the accomplishment of rescuing their cities from blight and decay. Here Mr. Kramer tells in considerable detail the problems facing urban America today, how they can be solved and the role that mortgage bankers can and should play. Mr. Kramer is a member of the MBA board of governors, president of Draper & Kramer, Inc. of Chicago and president of the Metropolitan Housing and Planning Council of Chicago.

Yet 22 per cent of all of the existing housing in Chicago was built before 1895—much of it below even the going standard of that era.

It was not until the second decade of the 20th century that we got around to zoning—the most technical skill in the fine art of city planning—to regulate city growth. Its purpose is to provide a tool for governing the use of land to carry out an orderly and balanced city plan. Zoning prescribes the type of activity which can be carried on in designated districts, sets limits on the bulk and height of construction, and controls the intensity of occupancy. It is an instrument to prevent inharmonious land uses, overcrowding the land, maldistribution of community facilities, and haphazard overdevelopment of one section at the expense of the underdevelopment of another.

Despite such controls, what American city cannot point near its heart to a hodge-podge of deteriorated housing, stores, warehouses, garages, factories and honky-tonks, spilling on to the sidewalks from undersized lots in a conglomerate sea of urban rot? Clearly not designed for modern living, these medieval districts were not designed for modern work places either.

Surely they offer no security to the investor.

Cars crowd into every inch of space. The din and dirt of factories destroys the tranquility needed for family living. Houses crammed between factories interfere with efficient industrial operation. Huge areas of land are wasted in streets and alleys. Channels of high speed traffic make every intersection a dangerous crossing. Breeding dirt and disease, these gashes through congested areas cut the land into rectangular blocks which were ideal for the horse-and-buggy age. Often these busy streets are the only

playgrounds for city children. These conditions are a far cry from today's ideas of neighborhood design providing open space for living and convenient home-to-work relationships.

That is how today's slums were built—by overcrowding the land, failing to segregate nuisance and heavy industries from residential neighborhoods, neglecting to set aside land for parks, playgrounds and other community needs, subdividing land into narrow lots, imposing an over-all grid-iron street pattern and permitting neighborhoods to disintegrate prematurely through slovenly house-keeping and bad enforcement of building codes by our municipal governments.

In consequence, we must now cope with a housing supply that was described as early as 1931 by one of the committees of the President's Conference on Home Building and Home Ownership, as "the largest mass of obsolete and discredited equipment in the country."

As new homes are built in peripheral areas, families abandon the dirt and disorder of the old city. Many of them move beyond the city's taxing limits, placing a greater burden on the remaining solvent neighborhoods. Industry, too, moves out to escape inefficiency, high cost of operation, and inadequate provisions for a stable labor supply.

And when industry leaves, jobs disappear, business declines and the city's tax foundation suffers.

Again I cite Chicago, which is in the happy position of having a great diversity of industry. Here the trend towards decentralization and difficulties of finding suitable locations in the center of the city have induced more and more plants to move out to the suburbs. In the past five years, 255 sizable plants moved away. Thousands of residents followed their desks and work benches to the suburbs. As

the flight from the city to the suburbs increases, vast sums must be spent in lengthening transportation lines to follow the people. The city becomes a wasteland, surrounded by attractive, prosperous communities which exploit its cultural, health, recreational and economic resources without sharing in its responsibilities or problems.

Decentralization, unchecked, will lead to municipal bankruptcy.

Blight is the dynamic process producing physical, economic and social effects. The steady corrosion of personalities, bodies and minds of the families who are captives of the slum environment leads to high rates of crime, tuberculosis, juvenile delinquency, infant mortality, poor scholarship, neuroses and broken homes. The community attempts to allay these problems by building bigger and better clinics, modern prisons and fine free medical centers. It acquires the newest fire equipment and adds psychiatric workers to the staffs of welfare agencies. These are worthy palliatives, part of the hidden costs of slums borne by the long suffering taxpayers.

Slums are big business. It has been estimated that 40c of every real estate tax dollar paid goes to their support. In Cleveland, a study showed that each



Slum areas like these in every city are the worst kind of blight.

individual in a slum area was subsidized by the taxpayers to the extent of \$78.78 per year, or \$318 per year for a family of four. Essential as these expenditures are, they treat only the effects of slum conditions.

Somewhere along the line we must remove the causes.

Obviously you could not expect your clients to invest in a decadent city. But, you may ask, why save the city?

Some experts argue that cities are all wrong anyway and should be left to rot. A good case can be made on economic grounds that the cost of resurrecting the blighted heart of the average city is prohibitive. It is also argued on defense grounds that dispersal rather than re-concentration of population and industries is more realistic. Suburbanites in particular—forgetting their dependence on the city—are inclined to write off the city as having outlived its usefulness.

It is, therefore, well to be sure that the cause we are espousing is right. Historically, cities came into being because large aggregations of people found it advantageous to live near

each other. They liked this arrangement because it offered more freedom in one's choice of work, or because it was possible to secure better health services and superior educational facilities than were possible living in isolation in the country.

In our larger cities urbanization created investments of billions of dollars in sewers, water mains, electrical installations, housing, hospitals, schools, museums, factories, transportation, streets, and other facilities. It was recently estimated that the cost of replacing the Chicago physical plant would be \$28 billions.

Would it not be absurd to scuttle a substantial part of these assets? Or to disperse our cultural, commercial and industrial heritage?

In large cities there is an infinite choice of friends. Anyone, no matter how eccentric, can find a group of kindred spirits. There is perpetual stimulation for all, no matter whether their interests run to stock car races or to the symphony. There are thousands of people who would prefer to live within walking distance of their work, if the right residential environ-

ment existed. There are many who prefer easy access to restaurants and theaters, to the Arcadian charms of the lawnmower and the "8:10 Special." There is stimulation and excitement, and a civic pride in the grandeur of big city activities. There is a sense of belonging to a larger group which gratifies the ego of many people. For these reasons and many more, we want to preserve the advantages of these concentrations of population for man.

If we don't do something about them now, our cities and our institutions will be irretrievably lost, and the mother city, which is the bread and butter of the suburbs, will go bankrupt.

What do the suburbs offer that the city does not have? They have what might be called the four freedoms: Freedom from noise, freedom from dirt, freedom from confusion and freedom from blight. The only hope of arresting the urban exodus lies in competing on even terms with the hinterlands by bringing the four freedoms into the city. By doing this, the city has the advantage by virtue of

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Reclamation of over-age areas requires surgery. In these archaic sections, familiar to all city dwellers, problems are too deeply ingrained to respond to rehabilitation. The hazardous and inefficient checker-board street pattern, the narrow lots and wasteful alleys cannot be remedied by tearing down a building here and painting one there. Almost universally, the residential buildings which remain would have worn-out plumbing and obsolete design. The cost of remodeling and modernizing them would be prohibitive. Even if such renovation was possible, the class of citizens who demand the standards of the suburbs could never be persuaded to live in them. The environmental evils which drive families out could never be disguised by a clean-up campaign, no matter how thorough.

In Chicago, blight has reached menacing proportions. About 23 square miles of slums must be reclaimed, and private buildings must be diverted from the inexpensive open land on the periphery to the deteriorated but costly land of the central city, if the outflow of population is to be arrested and the city saved from bankruptcy. This inescapable truth compelled our civic and business leaders in 1946 to originate a procedure to reverse the devastating force of blight. Legislation was drafted and new agencies were created to operate a redevelopment program. Bond issues for slum clearance were approved by

the voters. The eyes of the nation turned to Chicago as the laboratory where the fate of dying cities would be decided.

The Chicago plan, which was formulated by a committee of experts of the Metropolitan Housing and Planning Council, a private civic organization, included four provisions:

» Assembly of slum lands by a public agency, using the power of eminent domain.

» Appropriation of public funds to acquire blighted property for resale at use value to private developers.

» Authorization of a subsidy to absorb the loss between the price paid by the land assembly agency and that received from the private developer.

» Provision of relocation housing for families who would be displaced.

Two years later the Federal Government adopted the Chicago program in the Housing Act of 1949, prefacing the legislation with a statement of national housing policy which, for the first time, expressed the aspirations of the American people for a decent place to live.

This policy states:

"The Congress hereby declares that the general welfare and security of the Nation and the health and living standard of its people require housing production and related community development sufficient to remedy the serious housing shortage, the elimination of substandard and other inadequate housing through the clearance

of slums and blighted areas, and the realization as soon as feasible, of the goal of a decent home and a suitable living environment for every American family, thus contributing to the development and redevelopment of communities and to the advancement of the growth, wealth, and security of the Nation. The Congress further declares that such production is necessary to enable the housing industry to make its full contribution toward an economy of maximum employment, production, and purchasing power."

In charting a way to bridge the gap between the condition of the average American city today, and the goal articulated in the statement of policy, the Congress emphasized that the major part of the job should be undertaken by private enterprise; that the manner and extent of acceptance of Federal aid should be determined by local initiative, and that the metamorphosis of urban areas be done in conformance with an over-all regional plan.

Tearing up our 19th century neighborhoods by the roots enables us to replan the underground utilities, the transportation systems, and the distribution and density of population. We can, in fact, renew our cities from the inside out. Any compromise with this approach would fail utterly in the objectives of redeeming these sections as good places in which to live and to attract private investors, whether their improvements be residential or industrial.

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In Chicago we have had an interesting and dynamic experience with redevelopment operations initiated by two south side institutions. Lying a mile apart in one of the most deteriorated slum areas in the world, they decided almost simultaneously to stay put and rejuvenate their surroundings.

Illinois Institute of Technology at 33rd and State Streets and Michael Reese Hospital at 29th Street and Ellis Avenue, each has budgeted many millions of dollars to enlarge their campuses. With foresight they set up the South Side Planning Board to coordinate the planning of a seven-

square mile area and to bring in all possible business, church and other public and private interests in the entire area. Collaborating with a city-wide civic organization and the Chicago Housing Authority, the three local groups drafted a three-square mile plan which showed the dramatic possibilities of converting this dismal area to a highly desirable site for residential use.

"What are the implications of redevelopment from the viewpoint of the mortgage banker? The possibility of redeeming these neglected sections is a compelling one to all civic-minded individuals. To the mortgage banker, it means more than this. It enriches his opportunities to do business. Self-preservation calls for our vigorous support of urban redevelopment. The safety of the investments of our clients leaves the mortgage banker no choice but to work vigorously for urban redevelopment and conservation."—Ferd Kramer.

A report was published emphasizing the advantages of its lake front location, its proximity to the Loop business district and its enormous institutional assets. Several local mortgage bankers and business men, recognizing the opportunity presented here, actively promoted the area and pre-

vailed upon the New York Life Insurance Company to select Chicago for its first large scale redevelopment project.* This will be the largest housing project in Chicago and will be one of the most significant rental housing developments in the country costing in the neighborhood of 25 million dollars.

With imagination and energy, the mortgage banker through such a program can create a potent source of new business.

Such redevelopment projects are fortresses against the onslaught of blight, and also anchors to which other private construction will gravitate.

To lure such investors out of the normal path of city expansion into the less inviting slums, a convincing long-range redevelopment plan to reclaim the blighted areas must be projected. This will show, in addition to the opportunities for private investment, considerable public investment in the form of schools, parks, streets, housing for low-income families, parking facilities, and other indispensable in-

*Described in The Mortgage Banker, August, 1952.

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gredients of good living, now so utterly lacking in the core of the average large city.

Some sections of the inner city are ideal for industrial locations. Industry likes to be near the center where it can draw labor from all directions, and where maximum transportation alternatives are available. It is important to provide the incentives which industry will require in the way of adequate land for modern horizontal plants, with ample parking, loading and unloading facilities, in proximity to railroads or water transport, and the various other attractions which create a climate for its efficient and economical operation.

The liquidation and rebuilding of slums will not solve all the problems of the city, for today we are still making new slums faster than we can tear down the old. A prophylactic program of conservation of good neighborhoods must accompany the rejuvenation process. In the not-so-old but aging belts adjacent to the blighted areas, symptoms of blight require stern treatment as part of a program which includes all measures short of redevelopment. I mean the obvious rigid enforcement of minimum housing standards; scrupulous respect for zoning restrictions, and first class housekeeping by the city as to street repairing and paving, street lighting, garbage removal and the like. These are prerequisites to holding back the slums.

They must be reinforced by voluntary programs of neighborhood improvement which will assure high occupancy standards and the upkeep of private property. The city building or health department, which is on the job, can check blight by using its con-

siderable police powers with understanding and force. This has been demonstrated conclusively in Baltimore, where dilapidated structures are demolished systematically as the enforcement bulldozer moves from block to block. These rudimentary measures are, however, not enough to preserve the conservation neighborhoods for the type of population we are now losing to the suburbs.

"Even though a given mortgage banker may not be servicing loans in present blighted areas, it is plain realism to recognize that these areas have spread like a glacier—only faster—and it won't take long before his clients' investments, no matter where they are, are really jeopardized. Furthermore, this program can be the source of new business, so it behooves the mortgage banker to get in the forefront of the fight to rebuild the blighted areas."—Ferd Kramer.

We must think beyond existing remedies, and find ways and means of doing more than freezing the status quo. We must duplicate in the middle-aged sections the modernization of street pattern, provision of adequate park and parking space, rehabilitation of schools, churches, libraries and other public buildings, which will stimulate new construction and attract tax-paying families. This is an even tougher assignment in many ways than that of redevelopment, for here we must modernize without completely scrapping the old streets and buildings. Much of that which stands will remain.

What are the implications of redevelopment from the viewpoint of the mortgage banker? The possibility of redeeming these neglected sections is a compelling one to all civic-minded individuals. To the mortgage banker, it means more than this. It enriches his opportunities to do business. Self-preservation calls for our vigorous support of urban redevelopment. The safety of the investments of our clients leaves the mortgage banker no choice but to work vigorously for urban redevelopment and conservation.

More directly, the erosion which eats away and undermines good neighborhoods reduces the areas available for sound investment. The redevelopment program reverses this process, reviving neighborhoods as good investments and encouraging new building.

Moreover, well-planned redevelopment on a large scale grafts healthy urban growth on to declining sections, raising the general tone of the broader community, enhancing adjacent areas, influencing favorably nearby property values, providing modern housing or industrial or commercial facilities,

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Even though a given mortgage banker may not be servicing loans in present blighted areas, it is plain realism to recognize that these areas have spread like a glacier—only faster—and it won't take long before his clients' investments, no matter where they are, are really jeopardized. Furthermore, this program can be the source of new business, so it behooves the mortgage banker to get in the forefront of the fight to rebuild the blighted areas.

It is interesting to note that in at least two cities where slum clearance has progressed farther than in most communities, the mortgage bankers have been active in this crusade. In Baltimore, a comprehensive project including a medical campus, housing and commercial facilities will improve the local environment and also provide decent accommodations for institutional personnel of Johns Hopkins Medical Center. Here, an aggressive redevelopment agency and an enterprising young mortgage banker worked out the project plans.

You may wonder, if redevelopment has not already taken hold in your city, what you can do about it. The Housing Act of 1949 provides a made-to-order mechanism available to cities throughout the country, either through a specially created land clearance commission or a local housing authority. Under its provisions the Federal Government offers grants to defray two-thirds of the loss in reselling cleared slum lands to private developers at use value. The balance must be absorbed by the city, either in cash,

public works, schools, streets and alleys, or other improvements. The government, also under Title III, contributes funds for the construction of relocation housing and requires that the clearance agency resettle all families who must be evacuated from the slum site into standard housing.

This brings up the public housing bug-a-boo. Our experience has shown that from 20 to 30 per cent of the families on our slum sites are eligible income-wise for publicly-financed housing. If left to their own devices, these low-income families who cannot afford safe and decent housing on the private market would be forced into other slums or create new slums in other neighborhoods. It is just plain common sense to build public housing to take care of these families, thereby lifting the standard of living for the entire community. The rate of relocation, in the last analysis, will determine the construction rate of your redevelopment program.

You cannot support redevelopment unless you also favor an adequate program of public housing for relocation purposes.

Once you have the administrative machinery for redevelopment, there must be masterful comprehensive planning which will provide a guide to the future of your metropolitan area. Such a plan should include a pattern of land uses and controls, indications of municipal revenues obtainable from real estate as related to the new land use pattern, and designation of the blighted and slum areas which should be redeveloped. The plan must show solutions to parking, traffic, housing, school and transporta-

tion problems. It earmarks the land which, over a period of time, is to become open space, playgrounds, or to be improved with other community facilities. It takes the guess work out of site selection, and, if it forecasts an environment which is attractive enough, it can be the spur to large-scale rebuilding. Unless sound and imaginative planning shows that our communities can be made worth living in, we cannot expect to check the outflow of population to the suburbs. The Federal legislation stresses the relating of each project to a comprehensive metropolitan area plan.

Mortgage and other lending institutions have a higher-than-average stake in getting the best possible planning for their cities.

The law also states that in allocation of federal aid, consideration will be given to the effectiveness of the enforcement of health and the safety ordinances, in order that the new values created by redevelopment may be safeguarded from premature depreciation. Enforcement of minimum standards and zoning is the key to conservation of unblighted neighborhoods.

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It likewise has a direct effect on how high a price we pay to eradicate the slums.

The majority of structures in the worst blighted areas, although completely occupied and bringing their owners a very profitable return, are violating the building and sanitary regulations. Most of these buildings could no longer be operated profitably if the code was strictly enforced. The owners would soon remove them from the housing supply. Such action would lower the cost of land assembly considerably and accelerate the rebuilding of our cities. Adequate inspection programs and tough enforcement policies are vital both in prevention and correction of slums. Structurally unsafe buildings should be condemned and the enforcing agency should not give permits for the physical improvement of structures in areas designated for redevelopment.

Mortgage Men Can Do It

Few trade groups are as close as the mortgage banker to this problem, and few can be as effective in putting on the pressure necessary to place enforcement on an efficient basis. Unless this is accomplished, we shall continue to reward our worst lawbreakers with the highest premiums as we attempt to rebuild the slums. Not only should the government be as prudent in its expenditure of public funds as the private citizen, but slum clearance money is limited and will go considerably farther if we plug up the rat-holes as we proceed.

Beyond his role as civic leader, the mortgage banker has a more direct part to play in pushing redevelopment.

For instance, business interests wishing to bolster the population in the center of town, where they will get collateral benefits from neighborhood stability and increased purchasing power, in addition to possible direct profits from investment, might well consider forming redevelopment corporations to build projects which will reclaim parts of a blighted area. Some of these operations may be commercial or industrial. High-priced apartments can be very profitable, if well located.

It is important to go further and seek out a new type of investor—a civic investor who will accept 3 per

cent or 4 per cent, instead of the 15 to 30 per cent required by the speculative builder, thus making possible residential developments at today's construction costs, which will bring rentals down into line with the current mine-run housing market.

This new type of investor may be found among men of means who take real civic pride in the community, and who want to help provide decent housing conditions. They may be industrialists who are concerned about the assurance of a good labor market, and who want their workers to be adequately housed. They may be the boards of directors of your hospitals or educational institutions who have big investments which may be left high and dry if the area in which they are located becomes one in which people are afraid to visit or work.

Another possibility open to the resourceful mortgage banker is to get together a "kitty" to be used as equity over and above a mortgage, buy a site at "use" value through the redevelopment agency, and build a cooperative housing project. When completed, the proceeds can be used as a revolving fund to finance other projects.

What has been done in Baltimore and Chicago can be done in other communities. Only the surface has been scratched in getting large financial institutions such as banks, insurance companies, foundations, pension trusts, etc., interested in the housing field and in redevelopment. If they become interested, the mortgage bankers who are well-informed and who have the technical organization to do the job, will reap the benefits. They will be retained as consultants, as managers, and to provide mortgage

financing. In many cases, they will serve as leasing agents for apartments, and commercial and industrial properties.

These suggestions illustrate a few of the avenues which may be opened for the rebuilding of our cities under a working partnership between business leaders and the redevelopment agency.

What the picture boils down to is something like this: If your town has not yet taken advantage of the challenge to reclaim its blighted areas, set up a vigorous civic organization to sponsor a redevelopment program. Get together with your public officials and create a redevelopment agency to launch your program. If you already have the machinery, make it your business to support your land clearance agency in taking a vigorous and broad approach to the possibilities inherent in this new partnership between private and public enterprise.

No Time to Waste

The enlightened leadership of the mortgage banker, while it is to his own self-interest, his participation also makes a civic contribution of great magnitude. Being in the vanguard of the problem in our day-to-day activities, we have the opportunity to see the implication for utter destruction by continuing to let nature take its course, and also the opportunities for growth and prosperity in doing something decisive about it now.

I believe we have an obligation to share our vantage point on the 50-yard line with the communities of which we are a part and to lead the movement to revitalize our cities. Let's not miss the boat.

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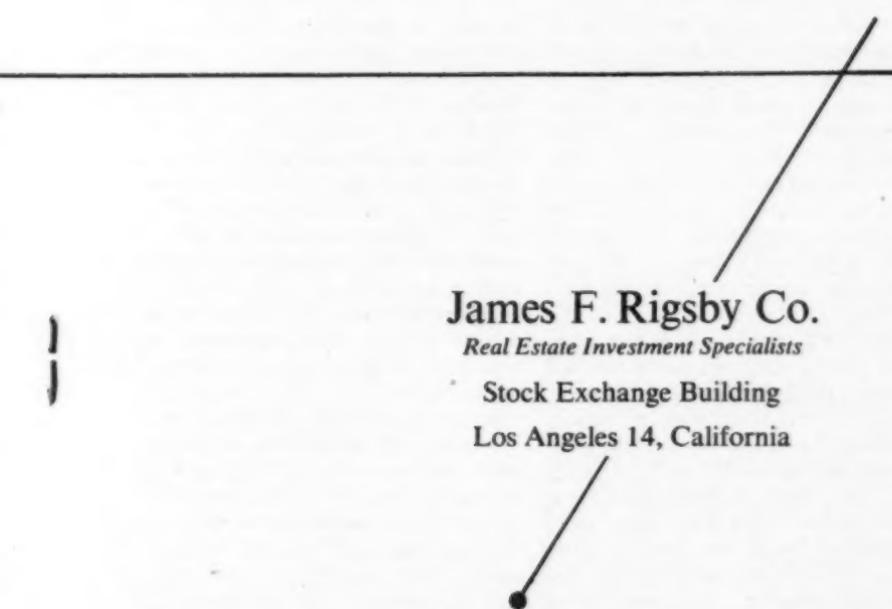
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The Good and the Bad in 20 YEARS OF MORTGAGE LENDING

As far as mortgage lending is concerned, the past 20 years have been about the most important the industry has ever known. The mortgage structure grew enormously, methods of lending changed greatly, new types of loans appeared and the whole field underwent what might be termed a veritable revolution. Mr. Marcus reviewed these 20 vital years at the Western Mortgage Banking Seminar and here is a portion of his concluding observations. A great many changes have been made in these two decades and, says Mr. Marcus, the good outweighs the bad. Much remains to be done in mortgage industry, however, and he tells what he believes some of the things are. Mr. Marcus is senior vice president of American Trust Company of San Francisco and an MBA board member.

By WILLIAM A. MARCUS

MANY private groups believe that the problem of maldistribution of money for mortgages could be readily solved by allowing a higher rate of interest in the areas of scarce funds but most believe that a uniform higher rate across the nation would accomplish the same result with



W. A. Marcus

less confusion and that the law of supply and demand would operate to reduce the rate below the allowable maximum in areas of accumulated capital. It is difficult to understand why one or the other of these courses has not been approved by the government during the past two years.

Until about two years ago mutual savings banks in New York, Massachusetts and other states were not permitted to buy FHA or VA loans except within their own states or contiguous states. The laws of New York and Massachusetts have now been broadened so that FHA and VA loans may be purchased in virtually any state of the nation. Mutual savings banks, buying out-of-state loans are subject to the same servicing costs as insurance companies, and must pay

about the same costs of keeping their own office records. Therefore, it is quite natural that a savings bank in New York might be willing to make a veteran loan over its counters without paying a servicing fee, while at the same time, it would refuse to buy a veteran loan in California because it would show a lower net yield after servicing. That is exactly the situation which exists today.

During its entire history FHA has encouraged the erection of rental housing as well as homes for owner occupancy. Prior to World War II, loans on rental units on which FHA insurance was obtained were principally made under Section 207 and peaked up to a volume of about \$100 million for the years 1938 and 1939. Section 608 was approved in May 1942, but its greatest activity was not reached until the postwar years of 1947 to 1950, when some \$3 billion of loans on multiple family units were insured. Section 803 (The Wherry Act) was added in 1949, and a fairly large volume of loans on rental units at military posts has been insured under this Section. Section 213 (co-operative housing) came into being with the Sparkman Bill of 1930, but has not proved to be a very important factor as yet. Sections 903 and 908 (Title IX) for programmed housing in defense areas were authorized last

September. Most of these Title IX projects have been indirectly financed by FNMA.

There are many who frowned upon the fact that sponsors for most rental developments were able to get their costs out of the loan, but I believe that if these rental units had not been erected by private enterprise with government insured loans, we would have seen them erected by the Public Housing Authority at a very much higher cost to the taxpayers.

While the government's 1952 goal for new residential units was set at 800,000, which is close to the 1951 goal, emphasis has been placed on programmed housing for defense areas. Somewhat over 200,000 units of new construction are expected for defense housing. The machinery for providing insurance on such loans is set up under Title IX. Title IX is a mixture of provisions of Title II and Title VI, with emphasis on long term loans not to exceed 90 per cent of appraised value. The rate for loans on one and two family dwellings is $4\frac{1}{4}$ per cent, while that for loans on multi-family projects is 4 per cent. The government has not been very successful in convincing private institutional investors that the rates are either attractive or adequate to cover the risks involved.

To test the marketability of Title IX

loans one has to find the answer to the question "Can these houses be readily sold or rented if the Defense Project in that vicinity is removed?"

Up to this time that question could not be answered satisfactorily. Most Title IX financing has been arranged on an interim basis through banks and other private lenders who hold a "take out" commitment from FNMA to purchase the resultant long term loans. As FNMA funds were exhausted early this year, Congress, when it passed the Housing Act of 1952, provided an additional \$600 million of funds for this purpose.

At no time during the past twenty years has the pattern of mortgage financing become more complex than it is today, nor has its solution ever appeared more easy. The greatest confusion exists in the financing of veteran loans. Conference after conference has been held by ABA, MBA, by insurance executives and other groups. Testimony and advice has been frequently given to the Senate Banking and Currency Committee and to members of Congress. The advice has been almost uniform: set a realistic rate on VA and FHA mortgages and nature will do the rest. Rather than follow that simple and sound advice, the VA has seen fit to encourage a discount market on 501 loans, which is provided in this fashion: The builder is approved by the VA as a non-supervised lender. He then, as a builder-lender, makes loans to veterans and sells the resultant loans to a third party. So long as he, as a builder-lender, does not charge the veteran more than 1 per cent flat charge for processing costs under the local allowable VA schedule, he is permitted to sell his loans at whatever price he can get. The VA in effect says this to veterans: "We have protected your 4 per cent rate, the builder is your friend; he will absorb a \$500 loss on a \$10,000 loan transaction and he will not pass that loss along to you in the price of the house."

Almost without exception builders and lenders, who have been interviewed on this subject, feel that this is a political device to keep the veteran from realizing that he is paying indirectly anywhere from 4¼ per cent to 4½ per cent interest (depending upon the life of the loan) for bor-

rowed money when there exists a five-point discount on 501 loans in the open market.

It is hoped that the public, particularly the veterans, will recognize that this is not a pattern urged by lenders but is a plan which, if not originated with the Veterans Administration, is at least encouraged by it.

While there is probably nothing wrong in selling a 4 per cent mortgage at 95c on the dollar, nevertheless the withholding of the full story from the veterans seems hardly fair to institutional lenders who have done so much to take care of the needs of the borrowing public in this postwar period. Nor does it seem fair to the builders who, because of the complicated pattern, are in many instances discouraged from building any homes for veterans. Likewise, it seems unfair to the veterans who are told that they can have a 4 per cent rate, but who cannot either find anyone to make a loan at 4 per cent or find a builder-lender who is willing to take the risks involved and build a house for sale under the present builder-lender discount plan.

More Good Than Bad

A great deal has been accomplished in the field of mortgage lending during the past two decades. In my opinion, the good has outweighed the harm that has been done. I would like to be specific on some of the good which should be preserved and some of the bad which should be eliminated.

First of all, the FHA insured loan system is fundamentally sound. The FHA should be restored to its former

status as an independent agency and taken away from its association with the Federal Home Loan Bank and the Public Housing Administration. There should be set up an independent board of nine persons, three from lending institutions, three from the government and three from the public at large, to determine FHA policies and to administer them soundly. FHA interest rates should be allowed to fluctuate upward as well as downward when economic conditions warrant such a course. The Federal National Mortgage Association should revert to a standby organization available in times of emergency, and should not be used to make indirect loans for the government or to allow private groups to profit by the use of funds of that Agency. The loan functions of the Veterans Administration should be terminated as soon as possible and that branch of the VA should be transferred to FHA. The veterans could still be given preferential treatment by allowing a down payment on their homes of but one half that required of non-veterans. The VA or the Treasury Department could pay the ½ of 1 per cent per annum for mortgage insurance on veteran FHA loans. Such a course of consolidation would cut out a great deal of duplication, eliminate much of the present confusion and would save the taxpayers millions of dollars. Pending such a transfer of activities, the interest rate on veteran loans should be immediately increased sufficiently to allow a free flow of investable funds from one part of the country to another, and builders should no longer be forced to become lenders in order to legalize the discount practice.

(Continued on page 20)

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Recession in the Mid '50s?

Seems likely, says this farm expert, but it won't be anything like as severe as last time. The defense program and the housing demand—the two principal prosperity props at the moment—will slow down eventually, and that would be the signal for an accelerated downward trend. But this time agriculture won't be in the bad spot it was before, says Mr. Myers. This part of the economy seems conspicuously sound. Mr. Myers is known principally in the mortgage industry as the former head of the Farm Credit Administration and is now Dean of the New York State College of Agriculture at Cornell University.

By W. I. MYERS

THE country's present economic situation is one of precarious balance at a high level and substantial inflationary pressures—but it is not like the fall of 1950. It is my guess that increased reserves required to finance seasonal movement of crops and defense production will be provided, at least in part, by open market operations; that is, by the purchase of government securities by Federal Reserve banks, but there is not likely to be a repetition this year of cheap and easy credit conditions of two years ago.

The next few months will provide a good test of the effectiveness of the Federal Reserve System in restraining inflationary pressures by general credit controls while cooperating with the Treasury in financing the Government deficit. Chances of success will be improved if consumers continue to save sanely and to avoid another wave of scare buying such as we had from June, 1950, to February, 1951.

Looking at agriculture, here are the business results of this part of our economy for the first half of 1952: prices received by farmers were down 5 per cent from the first half of 1951, volume or sales up 7 per cent, gross income up 4 per cent, and farm costs up 3 per cent. Hence, the net income of U. S. farmers was about the same as for the first half of 1951.

The outlook for the last half of 1952 is favorable for all major crops except spring wheat. However, with a large winter wheat output, there will be a total crop of 1.3 billion

bushels which is adequate for domestic and export purposes, plus a generous carryover. The food supply will be slightly above 1951, with more beef and poultry making up for a smaller supply of pork. The recent drought brought severe losses to farmers affected, but it will have no substantial effect on food production. The large prospective corn crop will permit continued high production of meat, milk and eggs.

With farm prices stable around present levels, United States farmers' gross income for 1952 should equal or be slightly above 1951. A larger volume of production will continue to compensate for slightly lower prices. With farm costs continuing slightly above last year, the net income of U. S. farm operators will be around the levels of 1951—perhaps slightly below the \$14.9 billion of last year. This is low in comparison with the all-time peak incomes of industrial

workers, but well above the low levels of 1949 and 1950.

Some writers are now predicting that farm surpluses are developing and that agriculture will lead the nation into a depression in a few years because of increasing output with declining exports.

In my opinion, this is so much bunk. There may be a very large crop of wheat as this year or too much of one or two crops any time, but general overproduction of farm products is very unlikely until the next depression. Moreover, farm surpluses do not cause depressions, but depressions result in apparent farm surpluses. It is a matter of underconsumption, not overproduction. The present favorable crop outlook is good for farmers as well as consumers.

What of the longer future?

We are at or past the peak of post-war inflation. We have experienced a long period—13 years—of rising or

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high prices broken only by the moderate readjustment of 1949. The most likely development is a sidewise movement of prices with minor ups and downs for the next year or two.

Then what? There are two major props to the U. S. defense boom—the defense program plus foreign aid, and the private construction of housing and industrial plants.

A readjustment is probable in the middle '50s when the defense buildup is completed and requirements drop to a replacement basis. The construction boom is past its peak although it may remain high for a couple of years with the stimulation of easy housing credit and defense production. But the trend is downward. The demand for housing is very elastic. It can shrink in bad times as well as expand in good.

When it comes, the depression will not be due to farm surpluses but to causes in the general economy of the U. S. and the rest of the world. What happens in the U. S. affects prices and economic conditions in other countries, and, conversely, what happens in the rest of the world also affects us, especially the trends of wholesale prices of international commodities.

Some persons think we are in a new era, that we can control our economic affairs and prevent depressions by Government action and programs.

I have grave doubts of our ability to stabilize the U. S.—even graver doubts of the rest of the world. Our Government would undoubtedly act more promptly than formerly to try to prevent a downward spiral of

deflation. Unemployment insurance, old-age pensions, public assistance, and farm price supports might cushion the shock but will not prevent it.

Throughout modern history there has been a strong tendency for commodity prices to rise in wartime and decline in peacetime. A downward movement of commodity prices is very likely during this decade—perhaps during the middle '50s.

No previous boom has lasted forever. When it comes, we'll probably have a severe shakedown, a recession. Steadily falling prices would result in losses and unemployment in other businesses as well as in farming.

How long will it last? No one knows, but it could last several years. It probably would be less severe, how-

(Continued on page 28)

We announce that, effective with the close of business, October 31, 1952, we will discontinue the FHA Mortgage Department which we have conducted since 1938 under the management of Mr. J. Maxwell Pringle. We will withdraw entirely from the FHA mortgage field.

We also wish to announce that we will employ the firm of Pringle-Hurd & Co., Inc. to assist us in the completion, servicing and liquidation of the business on the books of our FHA Mortgage Department at the close of business, October 31, 1952.

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MR. J. MAXWELL PRINGLE, Manager of the FHA Mortgage Department of Stern, Lauer & Co.
and

MR. RICHARD M. HURD, Vice President of Teachers Insurance & Annuity Association of America
take pleasure in announcing the formation, effective November 1, 1952 of

PRINGLE-HURD & CO., INC.

to conduct a general mortgage and real estate business on a nation-wide basis with emphasis on the placement of FHA insured and VA guaranteed mortgages.

The company will have its main office at 30 Pine Street, New York 5, New York.

Mr. Pringle will be President and Mr. Hurd, Executive Vice President of the company.

Messrs. William F. Sey, Frank W. Fell, John F. Eleford and Charles L. Hassmann, all now associated with the FHA Department of Stern, Lauer & Co., will be Vice Presidents of Pringle-Hurd & Co., Inc., in its New York office and Mr. Horace H. Hume, also now associated with the FHA Mortgage Department of Stern, Lauer & Co., will be Secretary-Treasurer of the new company.

Mr. K. P. Wood, Jr. will be a Vice President of the company in charge of its Los Angeles, California office.

Mr. Albert L. Trowbridge will be a Vice President of the company in charge of its Colorado Springs, Colorado office.

Mr. Hugo Steiner announces his resignation from the FHA Department of Stern, Lauer & Co., effective September 10, 1952. He joins Mr. Albert E. Berkeley in forming the firm of Berkeley-Steiner, Inc. Mr. Berkeley was Vice President of Berkeley-Judelson, Inc. and Investors Funding Corp. of New York. The new Corporation will engage in nation-wide FHA and VA financing as well as conventional mortgage brokerage. Mr. Steiner will be President and Mr. Berkeley Vice President. Berkeley-Steiner, Inc. will maintain offices at 475 Fifth Avenue, New York 17, N. Y.

ABOUT PEOPLE AND EVENTS

J. DuVal West and **E. E. (Gene) Wallace**, both of Dallas, and **T. A. Robinson, Jr.**, of Houston, have been elected directors of Texas Empire Life Insurance Company. The firm is the 50th legal reserve life insurance company to establish its home office in Dallas.



J. DuVal West



E. E. Wallace

West is a partner in the Jones-West Mortgage Company, active in the Dallas insurance field and a former vice president of Dallas National Bank. He is secretary-treasurer of the Texas MBA. Wallace, vice presi-

dent and member of the executive committee of the Republic National Bank of Dallas, is a member of MBA and the Dallas MBA. Robinson is president of the First Mortgage Company of Houston and a director of Texas MBA.

George F. Brice, Jr., has been elected president of Brice Mortgage Company, Brice Realty Co. and the Oregon Mutual Savings Bank, Portland, succeeding his late father. . . . **N. Monroe Hopper** has joined the executive staff of Institutional Mortgage Co., Bellflower, Calif. Before coming to Institutional, he was manager of loan servicing division of California Trust Co., subsidiary of the California Bank, Los Angeles.

Two members of MBA firms hold top spots in world-wide organizations this year. . . . **Harold P. Nutter**, vice president of Nutter Mortgage Service Company, Camden, N. J., is the incoming president of Lions International. . . . and **Walter J. L. Ray** of Standard Savings and Loan Association, Detroit, heads Kiwanis Inter-

national. . . . **W. L. King**, Boss & Phelps Mortgage Co., Washington, D. C., and **Holman D. Pettibone**, Chicago Title & Trust Company, are members of the new 34-man Construction and Civic Development Committee of the U. S. Chamber.

Election of **Lawrence C. Diebel** to the board of directors and the office of executive vice president and secretary of the Abstract and Title Guaranty Company, Detroit, was announced by **Frank I. Kennedy**, president. Diebel fills the vacancy created by the death of **Edward Straehle**. **Thomas P. Dowd**, formerly vice president, succeeds to the office of vice president and treasurer vacated by Diebel, and **G. Earl Owens**, formerly assistant vice president, becomes a vice president.

Warren J. Lockwood and **John G. Rouse**, both formerly with FHA for 18 years, have formed Lockwood and Rouse with offices in Washington. . . . they'll act as consultants in connection with housing projects, mortgage financing and cooperative housing.

THE GOOD AND THE BAD

(Continued from page 17)

The record of the past twenty years is a tribute to the private enterprise system and a story of great accomplishment in overtaking the housing shortage and in financing the nation's homes, despite wars, strikes, scarcities of materials, shortages of manpower, priorities, controls and confusing legislation. Not only has the private enterprise system been a story of great accomplishment during this period but in all fairness our government must also be given credit for much of the good that has been accomplished.

In the pre-war years we often heard the cry "private enterprise has failed". In the post-war years the spotlight has been on the experimental behavior of our government. It now looks as if the government as well as private enterprise must face the test of public approval or disapproval of its acts.

Just as in 1932 there was room for improvement, so in 1952 there is a need for clear thinking and sound action in the field of housing and home financing.



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Mortgage SERVICING Department

WILLIAM I. De HUSZAR, Editorial Director

WHAT'S BOTHERING YOU IN YOUR SERVICING OPERATION?

The success of any editorial column or department is usually measured by its response from readers. We frankly admit that we have had only a few comments on the twelve articles printed in this department last year and few contributions for our "What's Bothering You?" column during recent months. We courageously presume that the lack of response—it is not so easy to discourage us—expressed in letter form does not necessarily indicate a lack of enthusiasm for servicing subjects. This conclusion appears justified because of the great interest usually shown in the Servicing Cen-

ters at our conventions and clinics.

Your magazine's Mortgage Servicing Department would like to make plans for the coming year. We would like to know what you like and what you want more of. We would also like to get additional material for the "What's Bothering You?" column. In talking to men in servicing we hear of so many problems that we wonder whether or not we should expand this department and, in addition to printing your gripes and our comments to them, try to work out some of your problems for you?

IT IS surprising to note that among the few "gripes" we do receive, there are more from investors than from mortgage correspondents, in spite of the apparently mistaken belief that the correspondent's lot is a "hard" one. Perhaps servicing managers of mortgage companies just don't have the time to gripe.

INVESTOR'S CORNER: "A great number of mortgage company employees do not seem to understand that a satisfaction of a mortgage requires different treatment from an ordinary remittance. (This seems almost like an elementary principle in so far as we are concerned.)"

This may seem elementary to the investor but it isn't quite so to the accounting clerk at the other end who usually has a number of different instructions from a number of different investors as to the handling of satisfactions. As a matter of fact many investors prefer to make the distinction and the segregation themselves as to which loan is paid in full and which one isn't and want their correspondents to send the payment for satisfaction together with the regular remittances. The problem of segregation, if the investor desires it, can of course be solved by the servicing manager's explicit instructions to his staff.

CORRESPONDENT'S CORNER: "The use of the clearing account for the handling of payments would be most beneficial to the servicer; yet

some investors do not permit us to do anything but to deposit the payments directly to their account."

(Continued on next page)



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The group who attended MBA's first Western Mortgage Banking Seminar at Stanford

There are many reasons we believe that would make the investor insist on the deposits being made directly to their account; some of them may want to assure prompt receipt of payments and can't be sure of any other method; others insist on it as a certain measure of caution. Basically, however, the investor's refusal to allow its correspondents to use a clearing account may be due to its lack of understanding as to the arrangement between the servicer and his bank as to the use of this account. This puts the blame squarely on the servicer who fails to explain the function of his clearing account and his arrangements with the bank. It is also possible that neither the servicer nor the investor know that an FDIC member bank not only insures the total balance in the account up to ten thousand dollars FDIC insurance, but that it will also insure each mortgagor's escrow reserve and each mortgagee's transit funds within this account up to ten thousand dollars, providing, of course, that the custodial nature of the account is acknowledged by the bank. (Customary designations are "Custodial," "Trustee," or "Agent" account.)

The clearing account has great

MBA Holds Its First Mortgage Banking Seminar on West Coast; Nearly 100 at Stanford Course

MBA's educational program was taken to the Pacific Coast this year for the first time with a Western Mortgage Banking Seminar at Stanford University. Success of this first course

advantages for the servicer since it increases speed of operation in the cashier cage and establishes better controls. Briefly, it means that the cashier is responsible only for the total of the receipts; this is deposited into one clearing account (or two: one for FHA loans, the other for GI-Conventional loans). The segregation as to investors, interest differential groups, etc. can be done by the bookkeeper after the cash has been closed. The bookkeeper then posts, adds up the remittance report, and knows beyond any doubt how much of yesterday's collection is principal and interest or reserves and to which investor it belongs. You too may effect substantial savings through the use of clearing accounts.

with nearly 100 attending was such that plans are already being discussed to continue it in future years. Response to this initial West Coast Seminar affirmed a long-felt need for carrying the organization's educational efforts to parts of the country other than Chicago and New York where they have been previously concentrated.

The Seminar was a five day affair. The majority of those who spoke were from the West. Just as has been done in the past five years at the basic Seminar at Northwestern University, the subjects were aimed at giving those who attended a broad, general

EDUCATION CALENDAR

January, 1953, Senior Executives Course, New York University, New York.

June, 1953, Mortgage Banking Seminar and Advanced Mortgage Banking Seminar, Northwestern University, Chicago.

appreciation of the essentials which go into mortgage lending. Appraising, analyzing loan applications, personal credits and financial statements, preparation of loans for submission to investors, construction loans, and law for the mortgage banker were completely reviewed. A feature was a loan committee in action in which three correspondents and three life insurance officials formed a panel.

The Seminar host committee consisted of Lindell Peterson, Chairman, Educational Committee, president, Chicago Mortgage Investment Company; Willis R. Bryant, Chairman, Host Committee, assistant vice president, American Trust Company, San Francisco; William A. Marcus, senior vice president, American Trust Company, San Francisco; George Thomas, president, Baldwin & Howell, San Francisco; Willis M. Holtum, manager, mortgage loans, Equitable Life Assurance Society, San Francisco; E. S. Cox, manager, mortgage loans, Pacific Mutual Life Insurance Company, San Francisco; Linden L. D. Stark, vice president, The Anglo California National Bank, San Francisco; Robert L. Shearn, assistant vice president, Bank of California, San Francisco; L. H. Brinck, assistant vice president, Wells Fargo Bank & Union Trust Co., San Francisco; James P. Alger, manager, Marble Mortgage Company, San Francisco; A. D. Norris, president, Norris, Beggs & Simpson, San Francisco; Wilbur Warner, Western Mortgage Corporation, San Francisco; Henry R. Ehlers, vice president, Crocker-First National Bank of San Francisco, San Francisco; R. F. Moretti, vice president, Bank of America, San Francisco.

A device used in organizing and promoting this first Pacific Coast Seminar was setting up regional committees in eight western states consisting of members who promoted attendance from their own areas.

Those registered were:

Robert F. Roof, First Federal Savings & Loan Association, Phoenix; Carroll J. Pierce, Standard Mortgage Company, Phoenix; Edw. B. Kennigott, Orson Secrist Realty Company, Tucson; Charles R. Ross, Ross & Son, Bakersfield; Kirk Whitehead, Mason-McDuffie Co., Berkeley.

Mildred Johnson and Irma M. Roberts, Burrell-Wagstaff Company, Beverly Hills; David D. Greene, Rush C. Hinsdale Company, Beverly Hills; Stanley R. Dennis, Wallace Moir Company, Beverly Hills; Allan F. Kerr, Stuart D. Noble, Ponticopoulos, Inc., Burbank.



Seen at the Western Mortgage Banking Seminar, left to right, Thomas E. McDonald, MBA; Joseph R. Jones, Security-First National Bank of Los Angeles; Willis R. Bryant, American Trust Company, San Francisco; MBA president; Aubrey M. Costa, Southern Trust & Mortgage Company, Dallas; S. Hugh Jackson, Dean, Graduate School of Business Stanford University; and Frank J. McCabe, Jr., MBA.



Others at the Stanford Seminar: J. Howard Ferguson, Honolulu; Walter W. Pailing, The Rapid City National Bank, Rapid City, South Dakota; Vincent J. Moranz, Bishop Trust Company, Ltd., Honolulu; and Milton J. Krensky, Milton J. Krensky & Co., Chicago.



Staff side of Stanford Seminar: Vilo Barrett, Utah Savings and Loan Association, Provo, Utah; Mildred E. Johnson and Irma M. Roberts, Burrell-Wagstaff Company, Beverly Hills, California; and Esther M. Hampton, Sequoia Savings and Loan Association, Fresno, California.

John K. Derham, The San Francisco Bank, Burlingame; Laurence B. Myers, Fresno; Esther M. Hampton, Sequoia Savings and Loan Association, Fresno; Calvin J. Rule, The Anglo California National Bank of San Francisco, Hayward; James O. Burke, Gilbert-Burke, Inc., Lancaster, Calif.

F. H. Champlin, Bank of America, Los Angeles; Ray C. Skinner, Rush C. Hinsdale Company, Los Angeles; William M. Mark, Occidental Life Insurance Company of California, Los Angeles; Richard R. Krenz, Pacific Mutual Life Insurance

Company, Los Angeles; Arthur Wagner, Ralph C. Sutro Co., Los Angeles.

Earl J. Sachs, Title Insurance and Trust Company, Los Angeles; James E. Tweedt, Union Bank & Trust Company of Los Angeles, Los Angeles; Stanley Whitney, H. F. Whittle Investment Co., Los Angeles; Joseph E. Beh, Menlo Park; Robert M. Johnson, East Bay Mortgage Service, Inc., Oakland.

John R. Mapes, Syndicate Mortgage Co., Oakland; Robert W. Lindquist, Syndi-

(Continued on next page)

Convention Just Around the Corner and This is Really the Last Call to Get Going with Plans

In a few days what seems likely to be the largest meeting of mortgage lenders and investors ever held in this country will get under way at the Conrad Hilton Hotel, Chicago, with the opening session of MBA's 39th Annual Convention. As of mid-September nearly 1,900 had already registered and of these about 350 are women. It is also the Association's largest convention, but despite this it appears that, for the first time in many years, almost everyone attending will be housed under one roof. As of now the Conrad Hilton still has single rooms and double rooms with double beds available for our members but other types of accommodations have been exhausted. Some members are staying at other Chicago hotels which have been favorites with them in the past, but an overwhelming majority of those coming to the convention can be found right at the Conrad Hilton.

Members have just received a pamphlet listing all the various registrations received up to and including September 8. Those registering by mail since that time will be shown on a supplemental list available at the opening and those who register at the convention itself will be shown on

subsequent lists. Incidentally, early arrivals who failed to register in advance can dispose of this matter beginning at 3:00 p.m. Sunday afternoon, September 28. The registration desk will be open for several hours to take care of those members who wish to handle this matter early.

The Association is presenting a rather distinguished program this year including as speakers such nationally known figures as Dr. Sumner H. Slichter, the well-known and highly respected economist of Harvard University, Laurence F. Lee, president of the U. S. Chamber of Commerce, Ben H. Wooten of Dallas, the prominent Southwestern banker, and many others.

Servicing and related subjects will occupy two of the five sessions at the four day convention and members will hear authoritative and complete reviews of servicing delinquent accounts, good customer relations, hazard insurance and other subjects.

One of the highlights of the meeting, as at previous MBA conventions, will be the session devoted to the practical aspects of the business. This is the session where the government agency men usually appear. They will do so again this year but in a panel group consisting of nine speakers. The panel includes Walter L. Greene, FHA Commissioner; T. B. King, Veterans Administration, Washington; Alan E. Brockbank, president, National Association of Home Builders; Miles L. Colean, Washington; G. D. Brooks, The National Life and Accident Insurance Company, Nashville; Neal J.

Hardy, Housing and Home Finance Agency, Washington; John F. Austin, Jr., T. J. Bettes Company, Houston; Joseph R. Jones, Security-First National Bank of Los Angeles; and Guy E. Noyes, Board of Governors of the Federal Reserve System, Washington.

One last word about the Convention: If you haven't made your plans to attend, you're not too late. Just write direct to the Conrad Hilton for the accommodations mentioned above or ask us to help if you prefer the nearby Congress or some other hotel. Of course, you're too late to get on that initial advance registration list but not too late for the first supplemental available at the opening.

It's going to be a big and important convention—big and important for every mortgage man who wants to find out what's ahead for his business. You can't afford to miss this one!

OBITUARY

Mayo Perkins Crum, owner of the M. P. Crum Company, Dallas, died in his home city after a short illness. He was actively engaged in the mortgage business for more than 50 years. A native of Oswego, Kan., he was with The Deming Investment Company of that city from 1901 to 1925, first with the home office and later as Texas manager. In 1925 he founded his own firm in Dallas. During all this period he sold loans to the National Life Insurance Company of Montpelier—considered to be a record of continuous contact.

The firm was expanded to include handling of general insurance when his son, Paul Crum, joined the company's staff. Mr. Crum was a charter member of the Texas MBA of which his son is a present director.

cate Mortgage Co., Oakland; Nelson S. Wright, The San Francisco Bank, Oakland; T. C. McMillan, McMillan Mortgage & Investment Corp., Oxnard; Bertam Holmes, American Trust Company, Redwood City.

Bevan Johnson, Citizens National Trust & Savings Bank, Riverside; Robert E. Murphy, Paul C. Wright, California-Western States Life Insurance Company, Sacramento; R. N. McCook, American National Company, San Bernardino; C. Wm. Fleming, The Greater West Company, San Bernardino; C. B. Wagner, Southern California Mortgage & Loan Corporation, San Bernardino.

Robert A. Wenzel, American Trust Company, San Francisco; M. C. McCarthy, Baldwin & Howell, San Francisco; J. Bakotich and R. F. Moretti, Bank of America, San Francisco; Fulmar J. Keaton, The Bank of California, San Francisco; Earle V. Taylor, Crocker First National Bank of San Francisco.

Harold Baireuther, Russell A. Wilson, Marble Mortgage Company, San Francisco; Hunt T. Norris, Norris, Beggs & Simpson, San Francisco; William B. Ross, Charles E. Wilder, Northwestern Mutual Life Insurance Company, San Francisco; Henry Meiggs, State Mortgage Investment Company, San Francisco; F. J. Hellman,

(Continued on page 28)

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Florida MBA Organized Gilliland Is President

Newest regional mortgage association in the country is the Mortgage Bankers Association of Florida, organized in Jacksonville. John A. Gilliland was elected first president and vice presidents are Dave A. Moylan, Panama City; Eugene Knight, Tampa; R. T. Tucker, Orlando, and Frank E. Denton, Miami. W. H. Speir, Jacksonville, was elected secretary-treasurer.

Named on the board of directors, in addition to the officers, were Harry E. McCardell, Jr., St. Petersburg; Frank W. Reed, Orlando; Charles R. Dorsey, West Palm Beach, and A. H. Grant, Dunedin.

The need for a state mortgage group was outlined by Brown L. Whatley of Jacksonville, MBA presidential nominee. He pointed out that Florida has mortgage bankers organizations in several of its cities but, up to now, no state-wide association.

"We need someone to show the real truth on what we've got to offer," said Whatley. "We have many life insurance companies, banks and mortgage companies in the nation that sometimes have not favored Florida loans and most of those who don't make investments in the state have never been down to look at it.

"A Florida mortgage organization can get behind Florida loans and sell investors on them."

MBA Completes One of Best Membership Years

New members admitted to MBA for the year ending August 31, 1952, the end of the Association's fiscal year, totalled 214 — a remarkable record fully reflecting a year of intensive and conscientious work on the part of one of the most active membership committees MBA ever had. It was headed by John C. Hall of Birmingham, who early in the year set up a comprehensive working organization and solicitation plan to present the advantages of Association membership to all classes of prospective members. As a result, the Association grew substantially in all these various lending



Officers of Florida's new MBA are left, seated, John A. Gilliland, Jacksonville, president, and W. H. Speir of Jacksonville, secretary-treasurer; standing, Dave A. Moylan, Panama City, Eugene Knight, Tampa, R. T. Tucker, Orlando and Frank E. Denton, Miami, vice presidents.

classifications. Assisting the Membership Committee was the Membership Qualifications Committee, an Association group which has had one of the most active assignments in the organization. Headed by Homer C. Bastian of Wichita, this committee had the job of carefully examining every application; and an important part of this group's work, which does not show in the final totals, is represented by those applications which were rejected. Actually the Association's new members for the year would be very substantially higher if all applications submitted had been accepted.

New members admitted at the close of the fiscal year are:

ARIZONA—Phoenix: Commercial Life Insurance Company, West Indian School Road (P.O. Box 7038), William J. Dickson, Manager, Mortgage Loan Department; Lane Title & Trust Company, 113 West Monroe St., William A. Lane, Jr., vice president.

ARKANSAS—Little Rock: T. J. Bettes Company, 211 West Second St., Sam H. Fleming, assistant vice president.

CALIFORNIA—San Diego: T. J. Bettes Company, 302 Land Title Bldg., J. L. Lee, vice president; Security Trust & Savings Bank of San Diego, 904 Fifth Ave., P. C. Kelley, vice president and secretary. **San Francisco:** State Mortgage Investment Co., 41 Sutter St., Henry Meiggs, executive vice president.

CONNECTICUT—New Haven: Connecticut Savings Bank of New Haven, 47 Church St., Allan R. Carmichael, vice president.



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DISTRICT OF COLUMBIA—Washington: Franklin D. Richards and Associates, Inc., 852 Washington Bldg., 15th & N. Y. Ave., N.W., Franklin D. Richards, president.

GEORGIA—Valdosta: Roberts Insurance Agency, Inc., 188½ N. Patterson St., B. H. Roberts, Jr., president.

INDIANA—Indianapolis: Indiana Mortgage & Investment Co., 321 Lemcke Bldg., Robert B. Moore, president.

KANSAS—Mission: The Mission State Bank, 5437 Johnson Drive & Nall, Walter W. Meyer, executive vice president.

LOUISIANA—Baton Rouge: Watson, Blanche, Fridge, Wilson, Posner & Thibaut, 137 St. Ferdinand St., Charles W. Wilson.

MICHIGAN—Detroit: Ralph Talbot Company, 420 Dime Building, Ralph Talbot.

MISSOURI—Kennett: Bank of Kennett, Kennett, Mo., W. F. Shelton, III, vice president.

NEW JERSEY—Camden: West Jersey Title and Guaranty Company, 3rd and Market Streets, Frank J. McDonough, president.

NEW MEXICO—Albuquerque: The First National Bank in Albuquerque, 3rd & Central, Sam Sugg, vice president.

NEW YORK—Binghamton: Russell H. Phelps, Phelps Bldg., 106-108 Main St., Byford E. Treanor, Jr.; Buffalo: Little and Burt, Buffalo Savings Bank Bldg., 545 Main St., John H. Little.

SOUTH DAKOTA—Sioux Falls: Conservative Bond and Mortgage Company, 218 South Main Ave., Harold A. Peterson, vice president.

TENNESSEE—Memphis: Duke Poindexter and Company, 817 Three Sisters Bldg., Duke Poindexter.

TEXAS—Beaumont: T. J. Bettes Company, Goodhue Bldg., J. Austin Tatum, assistant vice president; Corpus Christi: T. J. Bettes Company, 212 Gulf Security Bldg., L. J. Lewellen, assistant vice president; Dallas: T. J. Bettes Company, 1202 Main St., Everett Mattson, vice president; Fort Worth: T. J. Bettes Company, Continental Life Bldg., F. G. Garrett, vice president; Lubbock: T. J. Bettes Company, 1502 Main, Lanham Evans, assistant vice president; San Antonio: American Hospital and Life Insurance Company, 106 E. Pecan St. (P.O. Box 2341), W. G. Priest, treasurer; San Antonio: T. J. Bettes Company, 2003 Transit Tower, Lyle H. Plant, vice president.

WEST VIRGINIA—Charleston: Old Colony Brokerage Company, Inc., 315 Morrison Bldg., 815 Quarrier St., O. T. Orr, president.

Edward R. Hwass has been named sales manager of Harnischfeger Corporation, Houses Division. He was with Harnischfeger as manager of Builders Acceptance Company, a subsidiary handling home financing. Previously he was with Irvin Jacobs & Co., and Heitman Mortgage Company, both Chicago mortgage bankers.

Death Costs Have Also Risen In Recent Years

THE shrinkage of resources left to American families, due to increased costs at the death of the family head, has become a heavy drain on both large and small estates.

Millions of families are now making use of life insurance to offset this estate shrinkage which results from such items as Federal estate taxes, State inheritance taxes, unpaid income taxes, administration expenses, executor's and lawyer's fees, forced sales of property, outstanding debts and bills—all of which have increased materially in the past 10 years.

There is no means of tabulating the number of persons now using "estate shrinkage" life insurance, nor the amounts of life insurance involved, but both are known to be large. Today, many life insurance agents give special attention to the technical background needed for planning estates for a minimum of shrinkage.

The shrinkage in estates at death today can run as high as 50 per cent

NEW BLANKET BOND

(Continued from page 5)

I should like to urge the mortgage banker members of the Association to obtain an actual comparison of their present insurance with the Mortgage Bankers Blanket Bond. In my opinion, broad participation in the plan will result. This will benefit all of the policyholders by developing a class experience (which we have reason to believe may justify further improvement in rate and coverage), spread the risk among the class and provide us with the leverage of a volume of business.

and, in some cases, much greater than that. One very large recent case showed a 66 per cent shrinkage. But even the smaller estates frequently show a shrinkage of 20 per cent or more. In cases of estates as small as \$25,000, it has frequently been shown that the loss has been some \$5,000, covering the expenses of settlement, satisfaction of taxes, and meeting of bills and debts.

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RECESSION IN THE MID '50S?

(Continued from page 19)

ever, than the last one, which was one of the two worst in our entire history as a nation.

Agriculture faces this uncertain longer future in a stronger position than ever before. During World War II, from 1939-44, U. S. food production made the most rapid sustained increase in the history of this or any other nation. The most striking change in dietary habits was the increased purchases of meat, milk, eggs, and other choice foods by families whose buying was formerly limited by low incomes.

For eight years there has been no appreciable increase in food output beyond the 1944 peak; yet, during this same period, about 20 million people have been added to our con-

suming population and the number is still increasing at the rate of 2½ million a year. The growth of population has caught up with the high rate of food output achieved during the war, but food production still stands at that level. A gradual increase in food production is to be expected, but prospects for an immediate sharp increase are not bright. With full employment, high consumer incomes, and increasing population, farming is under pressure which is not likely to diminish so long as the boom continues.

For these reasons it would be my guess that over the next decade the average level of farm prices will be in a reasonably favorable relation to farm costs and other prices. However, this optimistic general outlook for

farming will not prevent a decline in farm prices if the general price level falls. If we should experience several years of declining commodity prices, farmers will have serious economic troubles because their cash costs will decline slowly and their turnover is slow.

With both the short-run and the long-run outlook in mind, I believe that farmers should maintain full farm production, but watch labor efficiency and costs. Full employment of their labor force, labor-saving machinery and methods, and higher yields per acre and per animal by better production methods are very important. Credit necessary for efficient production should be provided to farmers, but they should reduce debts as rapidly as possible.

WESTERN MBA SEMINAR

(Continued from page 24)

Wells Fargo Bank & Union Trust Company, San Francisco.

W. E. Harris, American Trust Company, San Jose; William S. King, The Anglo California National Bank of San Francisco, San Jose; J. B. Walford, Jr., The First National Bank of San Jose; L. H. Wells, Wells & Smart, San Jose; William B. Aydelott, Wm. Stanwell Company, San Mateo.

Charles D. Owen, Bank of San Rafael, San Rafael; Wm. B. Holt, Santa Ana; Donald L. Cave, Farmers & Merchants National Bank, Santa Cruz; A. S. Anderson, American Trust Company, Stockton; Giles F. Foley, The Denver National Bank, Denver; Edward Sullivan, Pacific Mutual Life Insurance Company, Denver.

Robert P. Hackstaff, The Frederick R. Ross Investment Company, Denver; J. Howard Ferguson, Honolulu; Vincent J. Moranz, Bishop Trust Company, Ltd., Honolulu; Rolland H. Smith, Smith-Marshall Agency, Inc., Pocatello; Milton J. Krensky, Milton J. Krensky & Co., Chicago; M. S. Christianson, Eugene.

J. M. Miller, State Finance Company, Salem; Walter W. Pailing, The Rapid City National Bank, Rapid City; Earle E. Bailey, Great American Reserve Insurance Co., Dallas; Viola Barrett, Utah Savings and Loan Association, Provo; James L. Wilson, First Security Bank of Utah, Salt Lake City; Duane Q. Austin, Union Trust Company, Salt Lake City.

Cecil D. Bacon, Morgan Wheeler Company, Bellingham; James E. Skirving, National Bank of Washington, Bremerton; Richard D. Reinhardt, Paul C. Stephanus, Burwell & Morford, Seattle; Herbert A. Landeen, Continental, Inc., Seattle; William E. Hart, First Mortgage Company, Seattle; Merwyn Cunningham, National Bank of Commerce of Seattle, Seattle.

Myron Ellingson, Robert B. Woodworth, National Bank of Commerce of Seattle, Seattle; Earl Forsyth, New York Life Insurance Company, Seattle; Frank Nolan, Jr., Puget Sound Mutual Savings Bank, Seattle; Norman B. Myhre, Seattle-First National Bank, Seattle; L. K. Orthund, Ward Smith, Inc., Tacoma.

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